

IRON COUNTY HOUSING COMMISSION

REPORT ON FINANCIAL STATEMENTS

(with supplemental information)

For the Year Ended September 30, 2007

IRON COUNTY HOUSING COMMISSION

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ANDERSON, TACKMAN & COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Reported To: Iron County Housing Commission

Principals - Iron Mountain:
David J. Johnson, CPA
Shane M. Ellison, CPA

Member of:
Private Companies Practice Section
American Institute of Certified
Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Iron County Housing Commission
Crystal Falls, Michigan

We have audited the accompanying financial statements of the business-type activities of the Iron County Housing Commission, a component unit of Iron County, Michigan, as of and for the year ended September 30, 2007, which collectively comprise the Commission's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Iron County Housing Commission as of September 30, 2007, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2008 on our consideration of the Iron County Housing Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 5 through 8 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Iron County Housing Commission's basic financial statements. The Financial Data Schedule is presented for the purpose of additional analysis as required by the U.S. Department of Urban Housing and Development and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Iron County Housing Commission. The Financial Data Schedule and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
Iron Mountain, Michigan

June 13, 2008

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Iron County Housing Commission's financial performance provides an overview of the financial activities for the year ended September 30, 2007. Please read it in conjunction with the Commission's financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

- Net assets for the entire Commission were \$2,822,820 for the year ended September 30, 2007 compared to \$2,892,254 for the year ended September 30, 2006.
- The Commission's operating revenues totaled \$1,209,980 for the year ended September 30, 2007 and \$1,184,733 for the year ended September 30, 2006, while operating expenses totaled \$1,425,956 for the year ended September 30, 2007 and \$1,531,054 for the year ended September 30, 2006.

USING THIS REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets, Statement of Activities, Statement of Revenues, Expenses and Change in Net Assets, and the Statement of Cash Flows (on pages 9 to 12) provide information about the activities of the Commission as a whole and present a longer-term view of the Commission's finances.

REPORTING THE COMMISSION AS A WHOLE

Our analysis of the Commission as a whole begins on page 9. One of the most important questions asked about the Commission's finances is "Is the Commission, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Assets, Statement of Activities, Statement of Revenues, Expenses, and Change in Net Assets, and the Statement of Cash Flows report information about the Commission as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Commission's *net assets* and changes in them. You can think of the Commission's net assets – the difference between assets and liabilities – as one way to measure the Commission's financial health, or *financial position*. Over time, *increases or decreases* in the Commission's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the population of low income and elderly individuals.

In the Statement of Net Assets, Statement of Activities, Statement of Revenues, Expenses, and Change in Net Assets, and the Statement of Cash Flows, the Commission's activities are reported as business-type activities:

- **Business-type activities** – The Commission charges rent to tenants to help cover all or most of the costs of services it provides.

REPORTING THE COMMISSION'S MOST SIGNIFICANT FUNDS

Our analysis of the Commission's major activities begins on page 9. The financial statements provide detailed information on all of the Commission's activities. The Commission uses proprietary funds to account for its activities. The method of accounting for proprietary funds is explained below.

- *Proprietary funds* – The Commission charges tenants rent for the housing services it provides and these services are reported in a proprietary fund. Proprietary funds are reported in the same way for its activities and are reported in the Statement of Net Assets and the Statement of Revenues, Expenses, and Change in Net Assets.

THE COMMISSION AS A WHOLE

The Commission's combined net assets for the year ended September 30, 2007 decreased \$(69,434) from the year ended September 30, 2006.

Table 1
NET ASSETS

	September 30,	
	2007	2006
Assets		
Current assets	\$ 424,283	\$ 263,106
Capital assets (net)	<u>2,571,942</u>	<u>2,748,370</u>
Total assets	<u>2,996,225</u>	<u>3,011,476</u>
Liabilities		
Current liabilities	149,858	94,020
Noncurrent liabilities	<u>23,547</u>	<u>25,202</u>
Total liabilities	<u>173,405</u>	<u>119,222</u>
Net Assets		
Invested in capital assets, net of related debt	2,571,942	2,748,370
Restricted	66,601	-
Unrestricted	<u>184,277</u>	<u>143,884</u>
Net Assets	<u>\$ 2,822,820</u>	<u>\$ 2,892,254</u>

Net assets of the Commission stood at \$2,822,820 for the year ended September 30, 2007 compared to \$2,892,254 for the year ended September 30, 2006. Restricted net business assets were \$66,601 for the year ended September 30, 2007 and \$0 for the year ended September 30, 2006. Unrestricted net business assets were \$184,277 for the year ended September 30, 2007 compared to \$143,884 for the year ended September 30, 2006. In general, the Commission's unrestricted net assets are used to fund operations of the Commission. The change in current assets was largely due to a \$179,149 increase in cash while the increase in current liabilities was largely due to a \$63,636 increase in accounts payable.

Table 2

CHANGE IN NET ASSETS

	Year Ended September 30,	
	2007	2006
Revenues:		
Program revenues:		
Charges for services	\$ 174,101	\$ 179,263
Program grants and subsidies	1,154,670	1,145,581
General revenues:		
Other revenues	20,030	15,761
Unrestricted investment earnings	<u>7,721</u>	<u>6,498</u>
Total revenues	1,356,522	1,347,103
Program Expenses:		
Operating expenses	<u>1,425,956</u>	<u>1,531,054</u>
Change in net assets	(69,434)	(183,951)
Net assets - beginning of period	<u>2,892,254</u>	<u>3,076,205</u>
Net assets - end of period	<u>\$ 2,822,820</u>	<u>\$ 2,892,254</u>

BUSINESS – TYPE ACTIVITIES

Revenues for the Commission totaled \$1,356,522 for the year ended September 30, 2007 compared to \$1,347,103 for the year ended September 30, 2006. The Commission's average unit months leased on a monthly basis had decreased during the current year. In addition, HUD operating funds and capital funding grants had increased during the current year. The Commission depends on HUD operating and capital grants to assist in covering its operating expenses. The decrease in operating expenses was largely due to a \$36,494 decrease in administrative expenses and a \$31,062 decrease in maintenance expenses.

CAPTIAL ASSETS

Capital Assets

The Commission had \$8,205,133 invested in a variety of capital assets including land, equipment and buildings for the year ended September 30, 2007 compared to \$8,058,659 for the year ended September 30, 2006.

Table 3

CAPITAL ASSETS Business - Type Activity

	September 30,	
	2007	2006
Land and improvements	\$1,158,586	\$1,149,146
Building and improvements	6,684,372	6,578,349
Equipment	259,275	257,022
Construction in progress	102,900	74,142
Total	8,205,133	8,058,659
Less accumulated depreciation	(5,633,191)	(5,310,289)
NET CAPITAL ASSETS	\$2,571,942	\$2,748,370

The Commission invested \$147,851 in capital assets during the year ended September 30, 2007.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Commission's appointed officials considered many factors when setting the budget for the fiscal year 2007/2008. The current availability of low income and elderly tenants has been a major contributing factor in establishing the budgeted amounts. In the upcoming year, we do not anticipate any significant change in the occupancy rate and availability of new tenants that will provide any substantial increase in revenues. There continues to be a variety of inflationary cost and expense issues out of the control of the Commission. All of these were taken into consideration during the 2007/2008 budget process.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide the readers with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Commission's Executive Director, Steve Gagne, at 210 N. Third, Crystal Falls, Michigan 49920, or call 906-875-6060.

IRON COUNTY HOUSING COMMISSION

STATEMENT OF NET ASSETS Proprietary Fund

September 30, 2007

CURRENT ASSETS:	
Cash and equivalents	\$ 225,439
Accounts receivable	45,680
Investments	126,870
Prepaid expenses	<u>26,294</u>
TOTAL CURRENT ASSETS	<u>424,283</u>
NONCURRENT ASSETS:	
Capital assets	8,205,133
Less accumulated depreciation	<u>(5,633,191)</u>
NET CAPITAL ASSETS	<u>2,571,942</u>
TOTAL ASSETS	<u>2,996,225</u>
CURRENT LIABILITIES:	
Accounts payable	108,833
Accrued liabilities	<u>41,025</u>
TOTAL CURRENT LIABILITIES	149,858
NONCURRENT LIABILITIES	<u>23,547</u>
TOTAL LIABILITIES	<u>173,405</u>
NET ASSETS:	
Investment in capital assets, net of related debt	2,571,942
Restricted net assets	66,601
Unrestricted net assets	<u>184,277</u>
NET ASSETS	<u>\$ 2,822,820</u>

The accompanying notes to financial statements are an integral part of this statement.





IRON COUNTY HOUSING COMMISSION

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2007

FUNCTIONS/PROGRAMS	Program Revenue			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Business-Type Activities
Public Housing	\$ 1,425,956	\$ 174,101	\$ 1,015,488	\$ 139,182	\$ (97,185)
BUSINESS-TYPE ACTIVITIES:					
General revenues:					
					7,721
					20,030
					27,751
					(69,434)
					2,892,254
					\$ 2,822,820

The accompanying notes to the financial statements are an integral part of this statement.

IRON COUNTY HOUSING COMMISSION

STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS Proprietary Fund

For the Year Ended September 30, 2007

OPERATING REVENUES:

Tenant revenue	\$ 174,101
Program grants-subsidies	1,015,488
Other income	<u>20,391</u>

TOTAL OPERATING REVENUES	<u>1,209,980</u>
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OPERATING EXPENSES:

Administration	235,977
Tenant services	1,492
Utilities	117,724
Maintenance	164,149
General	39,001
Other operating	13,464
Housing assistance payments	530,230
Depreciation	<u>323,919</u>

TOTAL OPERATING EXPENSES	<u>1,425,956</u>
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OPERATING (LOSS)	<u>(215,976)</u>
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NONOPERATING REVENUES AND (EXPENSES):

Capital grants	139,182
Interest income	7,721
(Loss) on sale of capital assets	<u>(361)</u>

TOTAL NONOPERATING REVENUES AND (EXPENSES)	<u>146,542</u>
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CHANGE IN NET ASSETS	(69,434)
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NET ASSETS, BEGINNING OF YEAR	<u>2,892,254</u>
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NET ASSETS, END OF YEAR	<u>\$ 2,822,820</u>
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ANDERSON, TACKMAN
& COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS



The accompanying notes to financial statements are an integral part of this statement.

IRON COUNTY HOUSING COMMISSION

STATEMENT OF CASH FLOWS **Proprietary Fund**

For the Year Ended September 30, 2007

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 174,385
Cash received from grants and subsidies	1,042,953
Cash payments to suppliers for goods and services	(779,921)
Cash payments for wages and related benefits	(265,124)
Cash payments for payment in lieu of taxes	(5,727)
Other receipts	<u>20,391</u>
NET CASH PROVIDED FROM BY OPERATING ACTIVITIES	<u>186,957</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Capital grants	139,182
Acquisition of capital assets	<u>(147,851)</u>
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(8,669)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of investments	(6,228)
Investment income	<u>7,089</u>
NET PROVIDED FROM INVESTING ACTIVITIES	<u>861</u>
NET INCREASE IN CASH AND EQUIVALENTS	179,149
CASH AND EQUIVALENTS, BEGINNING OF YEAR	<u>46,290</u>
CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 225,439</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ (215,976)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	323,919
Changes in assets and liabilities:	
Decrease (Increase) in receivables	27,749
Decrease (Increase) in prepaid expenses	(2,917)
Increase (Decrease) in accounts payable	63,636
Increase (Decrease) in accrued liabilities	<u>(9,454)</u>
NET CASH PROVIDED FROM OPERATING ACTIVITIES	<u>\$ 186,957</u>

The accompanying notes to financial statements are an integral part of this statement.



IRON COUNTY HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

THE REPORTING ENTITY

The Iron County Housing Commission (Commission) was formed under the criteria established for low income housing programs by the United States Department of Housing and Urban Development. The Commission operates under a Board of Commissioners appointed by the County Board.

The Commission manages 123 units of low rent public housing and 169 section 8 vouchers, of which, for financial reporting purposes, includes all of the activities relevant to its operations.

Component Unit

In evaluating how to define the Commission for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement #14, *The Financial Reporting Entity* and as amended by GASB Statement #39.

The criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity's financial statements include budget adoption, taxing authority, funding, appointment of the respective governing board, and scope of public service.

Based on the foregoing criteria, it was determined that there are no component units of the Iron County Housing Commission, but the Iron County Commission is a component unit of Iron County, Michigan.

The accounting policies of the Commission conform to accounting principles generally accepted in the United States of America. The following is a summary of such significant policies.

BASIS OF PRESENTATION

The Commission presents its financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34.

Government-Wide Financial Statements:

The Statement of Net Assets, Statement of Activities, Statement of Revenues, Expenses and Change in Net Assets, and the Statement of Cash Flows display information about the Commission as a whole. They include all business-type activities of the Commission. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.



IRON COUNTY HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF PRESENTATION (Continued)

Proprietary Fund

Proprietary Funds are used to account for operations, (a) which are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus:

The government-wide Statement of Net Assets, Statement of Activities, and the Statement of Revenues, Expenses and Change in Net Assets are presented using the economic resource measurement focus as defined below.

- a. The Commission utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position and cash flows. All assets and liabilities, whether current or noncurrent, associated with their activities are reported.

Basis of Accounting:

The Statement of Net Assets, Statement of Activities, Statement of Revenues, Expenses and Change in Net Assets, and Statement of Cash Flows are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

As allowed by GASB Statement No. 20, the Commission's business-type activity follows all GASB pronouncements and FASB Statements and Interpretations that were issued on or after November 30, 1989, except those that conflict with a GASB pronouncement.



IRON COUNTY HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES AND NET ASSETS

- a. Cash and Equivalents – The Commission's cash and cash equivalents, as reported in the Statement of Cash Flows and the Statement of Net Assets, are considered to be cash on hand, demand deposits, and short-term investments with maturities of three months or less.
- b. Receivables – All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.
- c. Due to and Due From Other Programs – Interprogram receivables and payables arise from interprogram transactions and are recorded by all funds affected in the period in which transactions are executed.
- d. Capital Assets – Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and improvements	10-40 years
Furniture and other equipment	5-10 years

The Commission has adopted a capitalization policy for capital assets of \$200 per item.

- e. Compensated Absences - It is the Commission's policy to permit employees to accumulate a limited amount of earned but unused sick leave and vacation days, which will be paid to employees upon separation from the Commission. The cost of vested sick leave and vacation days are recognized as an expense as earned by the employees.
- f. Equity Classification

Equity is classified as net assets and displayed in two components:

1. Invested in capital assets – Consists of capital assets, net of accumulated depreciation.
2. Restricted net assets - Consists of Housing Assistance Payments (HAP) received from HUD in excess of payments paid to landlords. These excess funds can only be used for future HAP to landlords.



IRON COUNTY HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES AND NET ASSETS (Continued)

3. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

REVENUES AND EXPENSES

Operating revenues and expenses are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. Expenses are classified by operating and nonoperating and are subclassified by function, such as salaries, supplies, and contracted services.

OTHER SIGNIFICANT ACCOUNTING POLICIES

Interprogram Activity:

As a general rule, the effect of activity between programs has been eliminated from the government-wide statements.

The transfers of cash between the various Authority programs are reported separately from revenues and expenses as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing program.

Interprogram receivables and payables are eliminated from the Statement of Net Assets.

Budgets and Budgetary Accounting:

Budgets are adopted on a basis prescribed or permitted by the Department of Housing and Urban Development. All annual appropriations lapse at fiscal year end. The Commission follows these procedures in establishing the budgetary date reflected in the financial statements:

1. The Director submits to the Board a proposed operating budget for the fiscal year commencing on October 1st. The operating budget includes proposed expenses and the means of financing them. Prior to September 30th, the budget is legally adopted by Board resolution.
2. Formal budgetary integration is employed as a management control device during the year.
3. The budget has been amended. Supplemental appropriations were made during the year with the last one approved prior to September 30th.



IRON COUNTY HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

(Continued)

NOTE B - CASH AND INVESTMENTS

Cash and Equivalents

The Commission's cash and equivalents, as reported in the Statement of Net Assets, consisted of the following:

Petty cash	\$ 25
Checking accounts	204,181
Savings account	<u>21,233</u>
TOTAL	<u>\$ 225,439</u>

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned. As of September 30, 2007, the Commission held cash and equivalents in excess of F.D.I.C. insurance in the amount of \$140,148 which \$100,000 was collateralized by a bank deposit guaranty bond having a fair market value of \$100,000 and \$40,148 which was uncollateralized.

Investments

The Commission's investments, as reported in the Statement of Net Assets, consisted of the following:

<u>Investment Type</u>	<u>(Investment Maturities in Years)</u>	
	<u>Fair Value</u>	<u>Less Than 1 Year</u>
Certificates of Deposit	<u>\$126,870</u>	<u>\$126,870</u>

Investments are recorded at fair market value, which is based on quoted market prices.

Michigan statutes authorize the Commission to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposit, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days of date of purchase, bankers' acceptances of United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds.

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the Commission's investments may not be returned. As of September 30, 2007, the Commission's investments were fully insured and not subject to any custodial credit risk.



IRON COUNTY HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

(Continued)

NOTE B - CASH AND INVESTMENTS (Continued)

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the Commission's investments. State law limits the allowable investments as described above. The Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. Credit risk is the risk that an issuer or other party to an investment will not fulfill its obligations. The Commission has no investment policy limiting its investments in excess of state law on investment credit. Ratings are not required for the Commission's investments outlined above. The Commission's investments are in accordance with statutory authority.

Concentration of Credit Risk. The Commission places no limit on the amount the Commission may invest in one issuer. However, the Commission is required to have all funds in excess of insured amounts to be collateralized. The Commission's investments and balances are with the following financial institution:

Citizens Bank, Crystal Falls, MI	\$100,000
CoVantage Credit Union, Crystal Falls, MI	<u>26,870</u>
Total	<u>\$126,870</u>

NOTE C - CAPITAL ASSETS

A summary of capital assets as of September 30, 2007 is as follows:

	Balance 10-1-06	Additions	Deletions	Balance 9-30-07
Land and improvements	\$ 1,149,146	\$ 9,440	\$ -	\$ 1,158,586
Building and improvements	6,578,349	106,023	-	6,684,372
Equipment	257,022	3,630	(1,377)	259,275
Construction in progress	<u>74,142</u>	<u>139,180</u>	<u>(110,422)</u>	<u>102,900</u>
	8,058,659	<u>\$ 258,273</u>	<u>\$ (111,799)</u>	8,205,133
Accumulated depreciation	<u>(5,310,289)</u>	<u>\$ (323,919)</u>	<u>\$ 1,017</u>	<u>(5,633,191)</u>
Net capital assets	<u>\$ 2,748,370</u>			<u>\$ 2,571,942</u>

Depreciation expense for the year was \$323,919.



IRON COUNTY HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

(Continued)

NOTE D - RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission maintains commercial insurance covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Commission. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE E - USE OF ESTIMATES

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE F - VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Commission is dependent upon the Department of Housing and Urban Development (HUD) to fund its operations through operating subsidies and capital funding grants. Total revenues for the year ended September 30, 2007 totaled \$1,356,522 of which \$1,154,670 or 85% was from HUD subsidies and grants.

The operations of the project are subject to rules and regulations of HUD. These rules and regulations are subject to change. Such changes may occur with short notice and could create a lack of funding to pay for operational related costs, including the additional administrative burden to comply with the changes.

NOTE G - PENSION PLAN

Description of Plan and Plan Assets - The Housing Commission participates along with the County in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS); administered by the State of Michigan. The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 1.7 percent times the final average compensation (FAC). The most recent period of which actuarial data was available was for the fiscal year ended December 31, 2006.

MERS was organized pursuant to Section 12a of Act #156, Public Acts of 1851 (MSA 5.3333 (a); MCLA 46.12 (a), as amended, State of Michigan. MERS is regulated under Act No. 427 of Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and requires supplementary information for the system. That report may be obtained by writing to the MERS at 447 North Canal Street, Lansing, Michigan 48917-9755.



IRON COUNTY HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

(Continued)

NOTE G – PENSION PLAN (Continued)

Funding Policy - The obligation to contribute to and maintain the system for these employees was established by negotiation with the County's competitive bargaining unit and personnel policy, which does not require employees to contribute to the plan. The County is required to contribute at an actuarially determined rate. The contribution rate as a percentage of payroll at December 31, 2006 is as follows: Housing Commission 8.78%

Annual Pension Cost - During the fiscal year ended December 31, 2006, the Housing Commission's contributions totaling \$15,073 were made in accordance with contribution requirement determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases.

Schedule of Funding Progress

(Dollar Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability(AAL) Entry Age (b)	Under funded (AAL) (UAAL) (b-a)	Funded Ratio (ab)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)c)
12/31/2004	220,789	320,819	100,030	69%	171,648	58%
12/31/2005	244,512	354,736	110,224	69%	193,961	57%
12/31/2006	274,811	383,969	109,158	72%	170,858	64%





ANDERSON, TACKMAN
& COMPANY, P.L.C.
CHARTERED PUBLIC ACCOUNTANTS

SUPPLEMENTAL INFORMATION



ANDERSON, TACKMAN
& COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

IRON COUNTY HOUSING COMMISSION

FINANCIAL DATA SCHEDULE Proprietary Fund

September 30, 2007

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
ASSETS					
CURRENT ASSETS:					
Cash:					
111	Cash - unrestricted	\$ 87,596	\$ 45,493	\$ -	\$ 133,089
113	Cash - other restricted	-	66,601	-	66,601
114	Cash - tenant security deposits	25,749	-	-	25,749
100	Total cash	113,345	112,094	-	225,439
Accounts and notes receivables:					
125	Accounts receivable- miscellaneous	41,200	-	-	41,200
126	Accounts receivable- tenants - dwelling rents	8	-	-	8
126.1	Allowance for doubtful account - dwelling rents	-	-	-	-
129	Accrued interest receivable	4,472	-	-	4,472
120	Total receivables, net of allowances for doubtful accounts	45,680	-	-	45,680
Other assets:					
131	Investments - unrestricted	126,870	-	-	126,870
142	Prepaid expenses	25,341	953	-	26,294
144	Interprogram due from	3,550	-	-	3,550
150	TOTAL CURRENT ASSETS	314,786	113,047	-	427,833

See accompanying notes to financial statements



IRON COUNTY HOUSING COMMISSION

**FINANCIAL DATA SCHEDULE
Proprietary Fund**

September 30, 2007

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
NONCURRENT ASSETS:					
	Fixed assets:				
161	Land	364,852	-	-	364,852
162	Buildings	6,578,349	-	106,023	6,684,372
163	Furniture, equipment & machinery - dwellings	97,211	-	-	97,211
164	Furniture, equipment & machinery - administration	159,534	2,530	-	162,064
165	Leasehold improvements	789,335	-	4,399	793,734
166	Accumulated depreciation	(5,629,718)	(2,530)	(943)	(5,633,191)
167	Construction in progress	-	-	102,900	102,900
160	Total fixed assets, net of accumulated depreciation	2,359,563	-	212,379	2,571,942
180	TOTAL NONCURRENT ASSETS	2,359,563	-	212,379	2,571,942
190	TOTAL ASSETS	\$ 2,674,349	\$ 113,047	\$ 212,379	\$ 2,999,775

See accompanying notes to financial statements



IRON COUNTY HOUSING COMMISSION

**FINANCIAL DATA SCHEDULE
Proprietary Fund**

September 30, 2007

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
312	Accounts payable ≤ 90 days	\$ 105,369	\$ 3,464	\$ -	\$ 108,833
321	Accrued wages / payroll taxes	1,206	-	-	1,206
322	Accrued compensated absences - current portion	4,691	940	-	5,631
333	Accounts payable - other government	5,638	-	-	5,638
341	Tenant security deposits	26,784	-	-	26,784
342	Deferred revenues	1,766	-	-	1,766
347	Interprogram due to	-	3,550	-	3,550
310	TOTAL CURRENT LIABILITIES	145,454	7,954	-	153,408
354	Accrued compensated absences - non current	17,831	5,716	-	23,547
350	TOTAL NONCURRENT LIABILITIES	17,831	5,716	-	23,547
300	TOTAL LIABILITIES	163,285	13,670	-	176,955

See accompanying notes to financial statements



IRON COUNTY HOUSING COMMISSION

FINANCIAL DATA SCHEDULE Proprietary Fund

September 30, 2007

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
<u>NET ASSETS</u>					
Contributed Capital:					
508.1	Investment in capital assets, net of related debt	2,359,563	-	212,379	2,571,942
511.1	Restricted net assets	-	66,601	-	66,601
512.1	Unrestricted net assets	151,501	32,776	-	184,277
513	TOTAL NET ASSETS	2,511,064	99,377	212,379	2,822,820
600	TOTAL LIABILITIES AND NET ASSETS	\$ 2,674,349	\$ 113,047	\$ 212,379	\$ 2,999,775



IRON COUNTY HOUSING COMMISSION

FINANCIAL DATA SCHEDULE Proprietary Fund

For the Year Ended September 30, 2007

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
REVENUES					
703	Net tenant rental revenue	\$ 173,295	\$ -	\$ -	\$ 173,295
704	Tenant revenue - other	806	-	-	806
705	Total tenant revenue	174,101	-	-	174,101
706	HUD PHA grants	322,826	673,421	19,241	1,015,488
706.1	Capital grants	-	-	139,182	139,182
711	Investment income - unrestricted	7,057	664	-	7,721
715	Other revenue	20,391	-	-	20,391
716	Gain (loss) on sale of fixed assets	(361)	-	-	(361)
700	TOTAL REVENUES	524,014	674,085	158,423	1,356,522
EXPENSES					
Administrative:					
911	Administrative salaries	71,903	24,245	13,570	109,718
912	Auditing fees	3,900	400	-	4,300
914	Compensated absences	322	(2,892)	-	(2,570)
915	Employee benefit contributions- administrative	40,090	11,276	2,061	53,427
916	Other operating- administrative	41,398	29,704	-	71,102
	Total Administrative	157,613	62,733	15,631	235,977

See accompanying notes to financial statements



ANDERSON, TACKMAN
& COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

IRON COUNTY HOUSING COMMISSION

FINANCIAL DATA SCHEDULE **Proprietary Fund**

For the Year Ended September 30, 2007

<u>Line Item #</u>	<u>Account Description</u>	<u>Low Rent Public Housing</u>	<u>Housing Choice Vouchers</u>	<u>Public Housing Capital Fund Program</u>	<u>TOTAL</u>
Tenant services:					
924	Tenant services - other	1,492	-	-	1,492
Utilities:					
931	Water	45,595	-	-	45,595
932	Electricity	31,767	-	-	31,767
933	Gas	24,640	-	-	24,640
934	Fuel	15,722	-	-	15,722
	Total Utilities	117,724	-	-	117,724
Maintenance:					
941	Ordinary maintenance and operations - labor	64,328	-	-	64,328
942	Ordinary maintenance and operations - materials & other	28,399	-	3,610	32,009
943	Ordinary maintenance and operations - contract costs	34,203	-	-	34,203
945	Employee benefit contributions- ordinary maintenance	33,609	-	-	33,609
	Total Maintenance	160,539	-	3,610	164,149

See accompanying notes to financial statements



IRON COUNTY HOUSING COMMISSION

FINANCIAL DATA SCHEDULE Proprietary Fund

For the Year Ended September 30, 2007

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
General expenses:					
961	Insurance premiums	29,119	-	-	29,119
962	Other general expenses	57	74	-	131
963	Payment in lieu of taxes	5,638	-	-	5,638
964	Bad debt - tenant rent	4,113	-	-	4,113
	Total General Expenses	38,927	74	-	39,001
969	TOTAL OPERATING EXPENSES	476,295	62,807	19,241	558,343
970	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	47,719	611,278	139,182	798,179
971	Extraordinary maintenance	13,464	-	-	13,464
972	Casualty losses - non-capitalized	-	-	-	-
973	Housing assistance payments	-	530,230	-	530,230
974	Depreciation expense	322,512	464	943	323,919
900	TOTAL EXPENSES	812,271	593,501	20,184	1,425,956
1000	EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES	\$ (288,257)	\$ 80,584	\$ 138,239	\$ (69,434)

See accompanying notes to financial statements



IRON COUNTY HOUSING COMMISSION

FINANCIAL DATA SCHEDULE Proprietary Fund

For the Year Ended September 30, 2007

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
MEMO account information					
1103	Beginning equity	\$ 2,668,609	\$ 18,793	\$ 204,852	\$ 2,892,254
1104	Prior Period Adjustments, Equity Transfers	\$ 130,712	\$ -	\$ (130,712)	\$ -
1113	Maximum Annual Contributions Commitment (Per ACC)	\$ -	\$ -	\$ -	\$ -
1115	Contingency Reserve, ACC Program Reserve	\$ -	\$ -	\$ -	\$ -
1116	Total Annual Contributions Available	\$ -	\$ -	\$ -	\$ -
1120	Unit months available	1,476	2,028	-	3,504
1121	Number of unit months leased	1,470	1,983	-	3,453
1117	Administrative fee equity	\$ -	\$ 32,776	\$ -	\$ 32,776
1118	Housing assistance payments equity	\$ -	\$ 66,601	\$ -	\$ 66,601



IRON COUNTY HOUSING COMMISSION

FEDERAL AUDIT REPORTS

For the Year Ended September 30, 2007

IRON COUNTY HOUSING COMMISSION

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Commissioners
Iron County Housing Commission
Crystal Falls, Michigan

We have audited the financial statements of Iron County Housing Commission as of and for the year ended September 30, 2007, and have issued our report thereon dated June 13, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Iron County Housing Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Iron County Housing Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Iron County Housing Commission's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weakness. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Iron County Housing Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Responses as item 2007-1.

This report is intended solely for the information of the Board of Commissioners, management and the Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than those specified parties.



ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
Iron Mountain, Michigan

June 13, 2008

ANDERSON, TACKMAN
& COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

Board of Commissioners
Iron County Housing Commission
Crystal Falls, Michigan

Compliance

We have audited the compliance of Iron County Housing Commission with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement*" that are applicable to each of its major federal programs for the year ended September 30, 2007. Iron County Housing Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Iron County Housing Commission's management. Our responsibility is to express an opinion on Iron County Housing Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Iron County Housing Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Iron County Housing Commission's compliance with those requirements.

In our opinion Iron County Housing Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2007.

Internal Control Over Compliance

The management of Iron County Housing Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Iron County Housing Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Iron County Housing Commission's internal control over compliance.



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

(Continued)

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
Iron Mountain, Michigan

June 13, 2008

ANDERSON, TACKMAN
& COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS



IRON COUNTY HOUSING COMMISSION

For the Year Ended September 30, 2007

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal Grantor/Pass Through Grantor	Federal CFDA Number	Award Amount	Expensed as of 9-30-06	9-30-07 Federal Expenditures
Operating Subsidy	14.850	\$ 322,826	\$ -	\$ 322,826
Housing Choice Vouchers	14.871	\$ 673,421	\$ -	\$ 673,421
Capital Funding	14.872			
501-06		\$ 160,924	\$ 105,401	\$ 55,523
501-07		164,722	-	102,900
		\$ 325,646	\$ 105,401	\$ 158,423
Total Department of Housing and Urban Development				\$ 1,154,670
TOTAL FEDERAL EXPENDITURES				\$ 1,154,670

See accompanying notes to the schedule of expenditures of federal awards.



IRON COUNTY HOUSING COMMISSION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2007

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Iron County Housing Commission and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

NOTE B - COST REPORTS

Management has reported the expenditures in the Schedule of Expenditures of Federal Awards equal to those amounts reported in the modernization cost reports.



IRON COUNTY HOUSING COMMISSION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2007

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion of the general purpose financial statements of the Iron County Housing Commission.
2. There were no significant deficiencies relating to the audit of the general purpose financial statements.
3. There were no instances of noncompliance material to the general purpose financial statements of the Iron County Housing Commission.
4. There were no significant deficiencies relating to the audit of the major federal award programs as reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for the Iron County Housing Commission expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award programs for the Iron County Housing Commission.
7. The programs tested as major programs included:
 - A. Housing Choice Vouchers - CFDA 14.871
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Iron County Housing Commission was not determined to be a low-risk auditee.

FINDINGS - FINANCIAL STATEMENT AUDIT

COMPLIANCE WITH LAWS AND REGULATIONS

Finding 2007-1

Reportable Condition:

During the audit it was noted that the Commission had a depository agreement signed with one financial institution but the funds in excess of \$100,000 were not fully collateralized.

Criteria:

The ACC contract with HUD states that the Commission is required to have depository agreements signed by all financial institutions it does business with. The depository agreement states that the financial institution will insure any of the Commission's funds that exceed \$100,000.



IRON COUNTY HOUSING COMMISSION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2007
(Continued)

COMPLIANCE WITH LAWS AND REGULATIONS (Continued)

Condition:

Although the Commission had depository agreements signed with its financial institutions, it did not follow-up with them to verify that they had those funds in excess of \$100,000 fully insured. The Commission also did not have policies and procedures in place to monitor cash and investments continuously to verify that the collateral proved by the financial institutions was adequate throughout the year.

Questioned Costs:

None

Effect:

The Commission is not in compliance with the ACC contract.

Cause:

Lack of policies and procedures over depository agreements with regards to collateralization of underinsured accounts.

Recommendation:

The Commission should require its financial institutions to provided documentation of collateral at a minimum on a quarterly basis. The Commission should also adopt policies and procedures to monitor its cash and investments continuously to verify that the collateral provided by the financial institutions is adequate throughout the year.

Management's Response:

Management agrees and will implement policies and procedures to monitor cash and investment balances on a continuous basis and to require all of its financial institutions with whom funds are over \$100,000 to provided adequate collateral.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

1. None.

PRIOR FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

1. Section 8 Housing Choice Vouchers - CFDA No. 14.871; Grant Period - Year ended September 30, 2006.

Reportable Condition:

Iron County Housing Commission did not perform the following compliance requirements of the grant:



IRON COUNTY HOUSING COMMISSION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2007

(Continued)

B. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT - (Continued)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Housing Quality Standard (HQS) Inspections— The Iron County Housing Commission did not perform HQS inspections as required. Follow-up inspections were not completed within the required timeframe of 30 days for non-emergency and 24 hours for life threatening as required.

Recommendations:

Iron County Housing Commission should formalize a system for complying with all the specific requirements of the Section 8 Rental Voucher Program.

Statement of Condition:

Iron County Housing Commission did not establish a system to monitor its compliance with the specific requirements of the Section 8 Rental Voucher Program.

Criteria:

As a recipient of federal funds, Iron County Housing Commission is required to comply with the grant requirements of the Section 8 Rental Voucher Program.

Effect of Condition:

Expenditures under the program may be disallowed.

Cause of Condition:

Iron County Housing Commission's lack of oversight over reviewing and complying with program requirements.

Action Taken:

Management had implemented a documentation system so as track homes that did not pass the HQS inspection and the progress taken on those homes along with due dates. This finding has been addressed by management and has been corrected.

